



New Westminster Pier at the Quay with tugboat on the Fraser River

2022 REPORT OF THE BOARD OF DIRECTORS



Better Together

Our members are at the heart of everything we do. We exist because of you and we are grateful for your continued support. Prospera's enduring purpose speaks to our collective desire to contribute in a meaningful way to our membership and to the communities where we all live, work and play. In 2022, more than any other year since our merger, we have made great strides toward our purpose:

Together, we will build vibrant and healthy communities, thriving local enterprises and financially empowered people.

This past fall, we completed one of the last steps of our merger integration by aligning all members onto one banking system. Completing this important step brought our organization together to better serve you, no matter where you live, by enabling you to bank at any of our 26 branches across the Lower Mainland, Fraser Valley and Okanagan. This is a key step in our digital transformation journey, which supports one of our overarching goals: creating sustainable member value.

2022 was a momentous year in other ways, too. For example, we were excited to launch our new mobile app and website to help make it easier for you to bank with us. As well, all of our 26 locations now proudly display the new Prospera brand and we're starting to roll out our new Prospera MemberCards, marking one of the last steps in unifying our membership under one brand.

Local Good: our commitment to our communities

Our focus on doing Local Good was stronger than ever in 2022. As a credit union, we believe wholeheartedly that investing a portion of our profits in our local communities grows prosperity for everyone, and your membership helps make our communities stronger.

Because of your support, we were able to invest more than \$1.2 million locally in 2022 – supporting vital causes and charitable organizations such as Archway Community Services, Special Olympics BC, KCR Community Services in Kelowna and Junior Achievement of British Columbia, just to name a few.

Notably, we provided more than \$700,000 in sponsorships and donations to local community programs and more than \$550,000 in grants to local not-for-profit organizations. Please read our Foundation Report to learn more about our community giving focus on supporting local business, health and education.

Navigating an unpredictable economy

2022 was a challenging year for many British Columbians, grappling with the high cost of living and doing business, as well as escalating rates on borrowing. In these challenging conditions, our team continued to offer valued advice to you on how to navigate these unprecedented times and stay on track to reaching your financial goals.

In addition, we're hard at work to further enhance how we serve you through our online and in-person channels. We strive to be your trusted financial partner as you pursue your financial goals – from buying your first home and growing your business to developing your retirement plan.

Team Local: here to serve you and our communities

In 2022, we were incredibly honoured that Prospera was once again certified as a Great Place to Work®, reflecting the trust, commitment and engagement employees have with our organization and the work they do on behalf of our members.

Reflecting the diversity of our membership and our communities remained a top priority in 2022. As our diversity, equity and inclusion (DEI) journey gained momentum, we honoured the National Day for Truth and Reconciliation on September 30 and introduced two employee resource groups: the Prospera Women's Network and Prospera Pride (2SLGBTQ+ community and allies), as well numerous other initiatives to ensure that Prospera is and continues to be a great place to work and do business for all.

On a related note, as the world continued to grapple with the interconnected crises of climate change and social inequity, we committed to taking a more deliberate and holistic approach to communicating and advancing our work to support strong environmental, social and governance (ESG) practices in 2022. Please take a moment to read more about our progress on this front in Prospera's inaugural ESG Report.

Our financial results reflect our steadfast focus on our members

Despite the economic challenges in 2022, our overall financial results were strong this past year. Loan growth was up more than \$555 million (10%), reflecting our focus on supporting our members' needs. In a rapidly rising interest rate environment, net interest income was \$161 million and net income before tax was \$34 million, up slightly from the previous year. This resulted in a bottom line of just under \$29 million for the year and a return on equity of 6.9%. These positive financial returns have added to a strong capital base that will enable Prospera to fund additional member loans and to make important investments in the business and our communities on behalf of our members. You

will find more information on our financial performance in the Management Discussion and Analysis (MD&A), the Summarized Consolidated Financial Statement (page 5) and the Consolidated Financial Statements.

Looking ahead

We're excited about 2023 and are already taking important steps to bring you more personal and business banking solutions, wealth planning services, and most importantly, more tailored one-on-one advice from our exceptional local teams. At the same time, we're increasing our valuable contributions to our communities, including our presenting sponsorship of the Special Olympics BC Winter Games in Kamloops.

To you, our valued members, our sincere thanks and appreciation for your continued business and support.

Art Van Pelt

Chair, Board of Directors

Governance and Nominations Committee Report

In October 2022, the Governance and Nominations Committee made the formal call for director nominations on prospera.ca. The call advised members that four director positions would become available in 2023. Three of the positions are for a three-year term (two of which reflect incumbent directors eligible for re-election and one position is for a director who has reached the end of their eligible term), and one position for a two-year term reflects a director vacancy due to resignation. All director terms will commence at the close of the 2023 Annual General Meeting (AGM). The Committee encouraged members to visit our website for more details through messaging on member statements, in our branches, social media and various websites.

The Committee engaged Watson Advisors Inc. (Watson) to manage the nomination and evaluation process of prospective candidates, which included a methodology to preserve transparency and the equitable treatment of all prospective candidates throughout the process. With the support of Watson, the application process was accessible to members online and included information about the nominating process, as well as the qualifications and expectations of directors. The nomination information and the call also outlined the ideal candidate criteria. Prior to posting the call for nominations, the Committee reviewed the technical and business competencies, the expertise and diversity of the current directors, to identify the ideal candidate criteria that would further strengthen the Board. The nominations period closed on November 15, 2022.

Following the close of the nominations period, the Committee, in partnership with Watson, reviewed all nomination submissions to identify the ideal candidates. As part of the overall evaluation process, Watson met individually with each prospective candidate to review their skills and qualifications and how they would best complement the current Board. Based on these assessments, the Committee identified seven prospective

candidates to move forward to the interview stage. At the conclusion of the interview process and further assessment in consultation with Watson, the Committee selected four candidates for recommendation to members. At the close of the nomination and evaluation process, five candidates chose to stand for election to the Board:

- **Gina Arsens** (incumbent – recommended)
- **Ingrid Leong** (recommended)
- **Dan Parmar** (recommended)
- Hari Sharma
- **Rod Thomson** (incumbent – recommended)

The 2023 Directors Election is currently in progress. Candidate and voting information can be found at prospera.ca. The results of the 2023 Directors Election will be announced at the virtual AGM on April 27, 2023.

NOTICE OF 2023 ANNUAL GENERAL MEETING AND SPECIAL RESOLUTION

The 2023 Annual General Meeting will be virtual and held on April 27, 2023 at 6:30 pm.

Pre-registration for the AGM will be held online from March 30 to April 20, 2023.

The virtual AGM can be accessed at prospera2023agm.com

Summarized Consolidated Financial Statements

Year ended December 31, 2022

Management's Responsibility

The accompanying summarized consolidated financial statements are derived from the audited consolidated financial statements of Prospera Credit Union for the year ended December 31, 2022. The summarized consolidated financial statements have been prepared by management in accordance with the requirements of the *Financial Institutions Act*. The accompanying summarized statements include amounts based on informed judgments and estimates of the expected effects of current events and transactions.

To meet its responsibility for preparing reliable financial information, management maintains and relies on comprehensive internal accounting, operating and system controls. These controls are designed to provide reasonable assurance that the financial records are reliable for preparing financial statements and safeguarding the assets of the organization.

The summarized consolidated financial statements are approved by the Board of Directors. The Audit and Conduct Review Committee, comprised of four directors of the board, has reviewed the statements with management and the external auditors in detail.

KPMG LLP has been appointed by the membership as independent auditors to examine and report on these consolidated financial statements. They have had full and free access to the internal audit staff, other management staff and the Audit and Conduct Review Committee of the board.

Gavin Toy
President and
Chief Executive Officer

Jennifer Scharf
Chief Financial Officer

March 9, 2023

Report of the Independent Auditors on the Summarized Consolidated Financial Statements

To the Members of Prospera Credit Union

Opinion

We have audited the summarized consolidated financial statements of Prospera Credit Union (the Credit Union), which comprise:

- the summarized consolidated statement of financial position as at December 31, 2022
- the summarized consolidated statement of income for the year then ended
- the summarized consolidated statement of comprehensive income for the year then ended
- the summarized consolidated statement of changes in members' equity for the year then ended
- and related notes

are derived from the audited consolidated financial statements of Prospera Credit Union as at and for the year ended December 31, 2022.

In our opinion, the accompanying summarized consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements, in accordance with the criteria disclosed in Note 1 in the summarized consolidated financial statements.

Summarized Consolidated Financial Statements

The summarized consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summarized consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the Credit Union's audited consolidated financial statements and the auditor's report thereon.

The summarized consolidated financial statements and the audited consolidated financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited consolidated financial statements.

Management's Responsibility for the Summarized Consolidated Financial Statements

Management is responsible for the preparation of the summarized consolidated financial statements in accordance with the criteria disclosed in Note 1 in the summarized consolidated financial statements.

Auditor's Responsibility for the Summarized Consolidated Financial Statements

Our responsibility is to express an opinion on whether the summarized consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standards 810 Engagements to Report on Summary Financial Statements.



Chartered Professional Accountants

Vancouver, Canada

March 9, 2023

Summarized consolidated statement of financial position

(Expressed in thousands of dollars)

Year ended December 31, 2022, with comparative information for 2021

	2022	2021 (recast – note 2)
Assets		
Cash and cash equivalents	\$ 96,094	\$ 287,809
Investments	681,980	834,722
Loans	5,737,014	5,287,182
Leases receivable	353,651	248,235
Derivative assets	2,290	260
Premises and equipment	16,477	16,092
Right-of-use assets	30,972	35,856
Intangible assets	2,642	3,350
Current taxes receivable	2,611	-
Deferred tax assets	4,244	2,538
Other assets	7,350	7,037
	\$ 6,935,325	\$ 6,723,081
Liabilities and Members' Equity		
Borrowings	\$ 50,000	-
Members' deposits	6,070,262	\$ 5,846,180
Accounts payable and accrued liabilities	27,379	49,172
Securitization debt obligations	309,744	369,675
Derivative liabilities	7,110	899
Current taxes payable	-	1,823
Lease liabilities	33,909	38,616
Deferred tax liabilities	11,311	5,698
Retirement benefit obligations	7,463	28,544
	6,517,178	6,340,607
Members' equity:		
Contributed surplus	130,916	130,916
Retained earnings	301,634	272,678
Accumulated other comprehensive income (loss)	(14,403)	(21,120)
	418,147	382,474
	\$ 6,935,325	\$ 6,723,081

See accompanying notes to the summarized consolidated financial statements.

Approved on behalf of the Board:

Art Van Pelt
Chair

Rod Thomson
Audit and Conduct Review
Committee Chair

Summarized consolidated statement of income

(Expressed in thousands of dollars)

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
		(recast – note 2)
Interest income	\$ 248,323	\$ 209,070
Interest expense	(87,691)	(66,485)
Net interest income	160,632	142,585
Fee and commission income	26,207	26,740
Fee and commission expense	(5,577)	(5,902)
Net fee and commission income	20,630	20,838
Realized gains (losses) on financial instruments	(125)	(2,000)
Unrealized gains (losses) on financial instruments	(3,476)	(2,351)
Impairment (losses) recoveries on financial assets	(1,967)	2,389
Impairment (losses) recoveries on other assets	(190)	(520)
Other income (losses)	(517)	987
Net interest and other income	174,987	161,928
Operating expenses:		
Salary and employee benefits	(85,926)	(75,773)
General and administrative	(35,822)	(33,862)
Occupancy and equipment	(18,856)	(18,900)
	(140,604)	(128,535)
Contribution to Prospera Foundation	-	(500)
Income before income taxes	34,383	32,893
(Provision for) recovery of income taxes:		
Current	(6,279)	(7,185)
Deferred	852	757
	(5,427)	(6,428)
Net income	\$ 28,956	\$ 26,465

See accompanying notes to the summarized consolidated financial statements.

Summarized consolidated statement of comprehensive income

(Expressed in thousands of dollars)

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
		(recast – note 2)
Net income	\$ 28,956	\$ 26,465
Other comprehensive income (loss):		
Items that will be reclassified to net income:		
Net gains (losses) on investments measured at FVOCI	(11,044)	(4,820)
Reclassification of realized losses (gains) on financial instruments measured at FVOCI	71	1,385
Income tax recovery (expense) on investments measured at FVOCI	1,865	584
Net unrealized gains (losses) on effective portion of cash flow hedges	(2,774)	-
Income tax recovery (expense) on cash flow hedges	472	-
Items that will never be reclassified to net income:		
Net actuarial gains (losses) on retirement benefit plans	22,886	10,986
Income tax recovery (expense) on retirement benefit plans	(4,759)	(1,797)
	6,717	6,338
Total comprehensive income	\$ 35,673	\$ 32,803

See accompanying notes to the summarized consolidated financial statements.

Summarized consolidated statement of changes in members' equity

(Expressed in thousands of dollars)

Year ended December 31, 2022, with comparative information for 2021

Year ended December 31, 2022, with comparative information for 2021

	AOCI			Contributed surplus	Retained earnings	Total equity
	Fair value reserve	Cash flow hedge reserve	Defined benefit plans			
Members' equity, January 1, 2022	\$ (2,851)	\$ -	\$ (18,269)	\$ 130,916	\$ 272,678	\$ 382,474
Net income	-	-	-	-	28,956	28,956
Other comprehensive income (loss), net of tax	(9,108)	(2,302)	18,127	-	-	6,717
Total comprehensive income (loss)	(9,108)	(2,302)	18,127	-	28,956	35,673
Members' equity, December 31, 2022	\$ (11,959)	\$ (2,302)	\$ (142)	\$ 130,916	\$ 301,634	\$ 418,147

	AOCI			Contributed surplus	Retained earnings	Total equity
	Fair value reserve	Cash flow hedge reserve	Defined benefit plans			
Members' equity, January 1, 2021	\$ -	\$ -	\$ (27,458)	\$ 130,916	\$ 246,213	\$ 349,671
Net income	-	-	-	-	26,465	26,465
Other comprehensive income (loss), net of tax	(2,851)	-	9,189	-	-	6,338
Total comprehensive income (loss)	(2,851)	-	9,189	-	26,465	32,803
Members' equity, December 31, 2021	\$ (2,851)	\$ -	\$ (18,269)	\$ 130,916	\$ 272,678	\$ 382,474

See accompanying notes to the summarized consolidated financial statements.

Notes to summarized consolidated financial statements

(Expressed in thousands of dollars, unless otherwise indicated)

Year ended December 31, 2022

1. Basis of presentation

These summarized consolidated financial statements have been prepared in accordance with section 128(4) of the Financial Institutions Act and are derived from the audited consolidated financial statements, prepared in accordance with International Financial Reporting Standards, as at and for the year ended December 31, 2022. Those audited consolidated financial statements were approved by Prospera Credit Union's Board of Directors on March 9, 2023 and can be obtained online or at any of our branches.

2. Correction of error

For the year ended December 31, 2021 comparatives within these financial statements, the summarized consolidated statements of financial position, income, comprehensive income, and changes in members' equity were adjusted to correct for an immaterial error in the initial classification on January 1, 2021 of mandatory liquidity pool assets from fair value through profit and loss (FVTPL) to fair value through other comprehensive income (FVOCI). The error has been corrected by adjusting each of the affected financial statement line items for the prior period. The following tables summarize the impacts on the summarized consolidated financial statements:

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	Summarized consolidated statement of financial position		Impact of correction of error	
	As previously presented December 31, 2021		Adjustment	As currently presented December 31, 2021
Retained earnings	\$ 269,827	\$	2,851	\$ 272,678
Accumulated other comprehensive income (loss)	(18,269)		(2,851)	(21,120)

	Summarized consolidated statement of income		Impact of correction of error	
	As previously presented December 31, 2021		Adjustment	As currently presented December 31, 2021
Unrealized gains (losses) on financial instruments	\$ (5,789)	\$	3,438	\$ (2,351)
Other income (losses)	990		(3)	987
Income before income taxes	29,458		3,435	32,893
(Provision for) recovery of income taxes - current	(6,601)		(584)	(7,185)
Net income	23,614		2,851	26,465

	Summarized consolidated statement of comprehensive income		Impact of correction of error	
	As previously presented December 31, 2021		Adjustment	As currently presented December 31, 2021
Other comprehensive income (loss):				
Items that will be reclassified to net income:				
Net gains (losses) on investments measured at FVOCI	\$ -	\$	(4,820)	\$ (4,820)
Reclassification of realized losses (gains) on financial instruments measured at FVOCI	-		1,385	1,385
Income tax recovery (expense) on investments measured at FVOCI	-		584	584



Corporate Information

Credit union industry directorships held by directors and officers

Colin MacKinnon
Stabilization Central Credit Union

Gavin Toy
Canadian Credit Union Association

Art Van Pelt
Central 1

Corporate Counsel

Dentons Canada LLP
Vancouver, British Columbia

Auditors

KPMG LLP
Vancouver, British Columbia

Contact

Sonia Mior
Director, Governance and Corporate Secretary

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